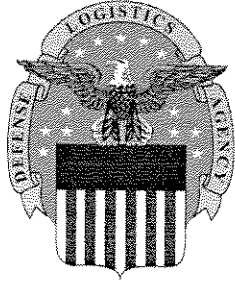


ATTACHMENT 1



NEWS RELEASE
Defense Logistics Agency
Public Affairs Division
8725 John J. Kingman Road, Suite 2545
Fort Belvoir, VA 22060-6221
(703) 767-6200
<http://www.dla.mil>

For Immediate Release: March 2006

The Defense Logistics Agency (DLA) is DOD's largest combat support agency, providing worldwide logistics support in both peacetime and wartime to the military services as well as several civilian agencies and foreign countries. DLA headquarters is located at Fort Belvoir in Northern Virginia.

If America's forces eat it, wear it, maintain equipment with it, or burn it as fuel...DLA probably provides it.

DLA Quick Facts:

- supplies almost every consumable item America's military services need to operate, from groceries to jet fuel
- helps dispose of materiel and equipment that is no longer needed
- has supported every major war and contingency operation of the past four decades, from the Vietnam War to Operation Iraqi Freedom
- represented in 48 states (not in Vermont and Iowa) and 28 countries
- supports 124 nations with foreign sales that total more than \$1.1 billion

New at DLA:

- streamlined supply depot and distribution system
- has moved from managing supplies to managing suppliers (wholesale to retail)
- no more warehouses of huge inventories
- more directly engaged, physically closer to the customer
- increased use of contractors, even in the battlefield

- the Business Systems Modernization initiative that will replace dozens of legacy systems, some of which were designed in the 1960s and built in the 1970s, with a commercial off-the-shelf-based portfolio of software and current state-of-the-art hardware

Giving the war fighters what they need:

- reduced inventories
- better quality
- faster, reliable service
- lower costs

DLA and Field Activity Support of Operation Iraqi Freedom (OIF) – as of March 2006

Logistics backbone of the war in Iraq:

- processed 5.7 million requisitions with a total value of more than \$13.4 billion
- provided more than 177 million field meals
- provided nearly 2 million Humanitarian Daily Rations (HDRs) for displaced refugees.
- supplied more than 2.8 billion gallons of fuel

New in Iraq:

- technology for modern inventory tracking (for example, common access cards, radio frequency identification tags, and memory buttons) to cut down on waste and over-supply
- more advance planning (logisticians were part of earliest planning)
- on-site battlefield coordination (sending supply experts right to the warfront)

Post-War support: As action on the war-front wanes, the DLA mission does not. DLA continues to supply 100% of food, fuel, and medical, as well as most of the clothing, construction materials and spare parts for weapons systems for the forces who remain during the reconstruction of Iraq. DLA also supports redeployments – including conducting battlefield cleanup (such as removing equipment and debris and even hazardous materials).

DLA Support to Operation Enduring Freedom – as of March 2006

- processed more than 6.6 million requisitions with a total value of more than \$6.9 billion
- \$21.2 million in humanitarian support (3.4 million pounds of wheat, 49,000 pounds of dates, 3.8 million Humanitarian Daily Rations, and 30,000 blankets)

- more than 2.2 billion gallons of fuel

DLA on Deployment: DLA liaison officers and Contingency Support Teams (DCSTs) act as DLA's eyes and ears on the front lines, working alongside combat commanders and planners. To get the right support to the right place at the right time, DLA has:

- more than 200 DLA personnel have deployed in support of OEF and OIF as individuals or as a member of a DCST
- assigned full-time DLA liaison officers with the staffs at the combatant commands and at the Joint Staff

DLA by the numbers:

Items managed: 5.2 million

Requisitions per day: 54,000

Contract actions per day: 8,200

FY02 sales and services: \$21.5 billion

FY03 sales and services: \$25 billion

FY04 sales and services: \$28 billion

FY05 sales and services: \$31.8 billion

Comparable "Fortune 500" company (by budget): #50, just above Intel Corporation

Number of weapons systems supported: 1411

Value of inventory: \$89.2 billion (Defense Distribution Center)

Number of employees: 20,805 (down from 65,000 in 1992)

Number of military: 519 active duty (Army, Navy, Air Force, Marine), 754 reservists

DLA Field Activities

- Defense Supply Center Columbus (DSCC) – Columbus, Oh. www.dscc.dla.mil
 - Maritime and land weapons systems support
- Defense Supply Center Richmond (DSCR) – Richmond, Va. www.dscr.dla.mil
 - Aviation support

- Defense Supply Center Philadelphia (DSCP) – Philadelphia, Pa. www.dsep.dla.mil
 - Food, clothing, medical, general and industrial supplies
- Defense Distribution Center (DDC) - New Cumberland, Pa. www.ddc.dla.mil
 - Worldwide network of 26 distribution depots
- Defense Energy Support Center (DESC) - Fort Belvoir, Va. www.desc.dla.mil
 - Fuels, gas, electrical power
- Defense National Stockpile Center (DNSC) - Fort Belvoir, Va.
<https://www.dnsc.dla.mil/default.asp>
 - Stockpiles strategic raw materials
- Defense Reutilization and Marketing Service (DRMS) –Battle Creek, Mi. www.drms.dla.mil
 - Property disposal of various items, scrapping of ships and hazardous materials

Additionally, we provide these other services in support of America's fighting forces

- Defense Logistics Information Service (DLIS) - Battle Creek, Mi. www.dlis.dla.mil
 - Manages and distributes logistics information
- Document Automation and Production Service (DAPS) - Mechanicsburg, Pa.
www.daps.dla.mil
 - Printing services, digital conversion, document storage
- DLA Europe (Wiesbaden, Germany) www.dla.mil/europe
 - Focal point for 93 countries covering 20 million square miles
- DLA Pacific (Taegu, Korea) www.pacific.dla.mil

 - Focal point for 105 million square miles that supports Hawaii, Korea and Japan
- DLA Central (Tampa, Fla.)
 - Established Oct. 1, provides the field activities with one point of contact for all supply requisitions in the Middle East.

ATTACHMENT 2

DRMS "At a Glance"

Visit our award-winning Web site! <http://www.dla.mil/drms> -- or -- <http://wex.drms.dla.mil>

Originally established in 1972 to consolidate the different military services' disposal operations, the Defense Property Disposal Service (DPDS) was renamed the Defense Reutilization and Marketing Service (DRMS) in 1985. DRMS is part of the Defense Logistics Agency (DLA), based in Fort Belvoir, Va.

Disposing of excess property. DRMS disposes of excess property received from the military services. The inventory changes daily and includes thousands of items: from air conditioners to vehicles, clothing to computers, and much more.

Property is first offered for reutilization within the Department of Defense (DoD), transfer to other federal agencies, or donation to state and local governments and other qualified organizations.

Reutilization means big savings. In fiscal 2005, \$1.7 billion worth of property was reutilized. Every dollar's worth of property reutilized is a tax dollar saved. DRMS also supports the Humanitarian Assistance and Foreign Military Sales programs.

Selling DoD surplus property. DRMS manages the DoD surplus property sales program. Excess property that is not reutilized, transferred or donated may be sold to the public as surplus.

The DRMS National Sales Office has a commercial venture partnership with Government Liquidation to purchase and re-sell all non-demil-required usable property in the United States, Guam, Hawaii and Puerto Rico. Sales include high-value property, such as aircraft parts, machine tools, hardware, electronics, material handling equipment, and vehicles. DRMS overseas locations conduct zone sales for all non-demil required usable property. These sales are either held through sealed bid, auction, or retail, fixed price sales, aimed at customers interested in buying inexpensive items for personal use.

DRMS also offers a sales service for those DoD customers who have direct sales authority (such as under the Exchange Sale Program). For a modest percentage of the proceeds, DRMS will perform all merchandizing, advertising and contracting functions, providing the DoD military service peace of mind that all laws and regulations are followed.

Our Web site. DRMS displays property available for reutilization, transfer and donation on the Internet. The Web site offers detailed information, including the property's condition and location. For sales information, sales schedules, and past bid sales results, go to the Government Liquidation Web site, <http://www.govliquidation.com/>.

Keeping the environment in mind. DRMS manages the disposal of hazardous property for DoD activities, maximizing the use of each item and minimizing environmental risks and costs.

Special programs. The Resource Recovery and Recycling Program conserves natural resources, reduces waste products and returns revenue to the military services.

Through recycling, the Precious Metals Recovery Program significantly reduces the need for DoD to purchase metals such as gold, silver and platinum family metals through recycling of excess and surplus scrap containing precious metals.

Demilitarization. Certain property is demilitarized (i.e., rendered useless for its originally intended purpose). Surplus property with inherent military characteristics must undergo "demil." Offensive and defensive weapons and associated material are demilitarized prior to sale or as a condition of sale.

<http://www.drms.dla.mil/pubaff/html/glance.html>

Global support for the U.S. military. DRMS has a worldwide presence within DoD, with disposal specialists in 14 foreign countries, two U.S. territories (Guam and Puerto Rico) and 39 states. The total DRMS work force numbers approximately 1,328 civilians and 11 active duty military personnel. Of those, approximately 332 work at its Battle Creek, Mich., headquarters. DRMS also supports military contingency missions, wherever that takes us, be it Iraq, Afghanistan, Saudi Arabia, Pakistan, Bosnia, Kosovo, Kyrgyzstan or Uzbekistan.

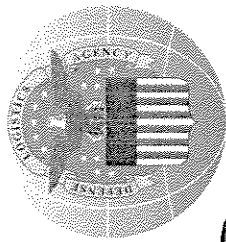
Customer Contact Center:

(877) 352-2255 (from Canada: (269) 961-7197)

Customer service representatives are available to answer your questions 24 hours a day, seven days a week. You can also fax your questions, (269) 961-5305, or e-mail them, custservice@dlis.dla.mil

Last Updated: 04/20/06

ATTACHMENT 3



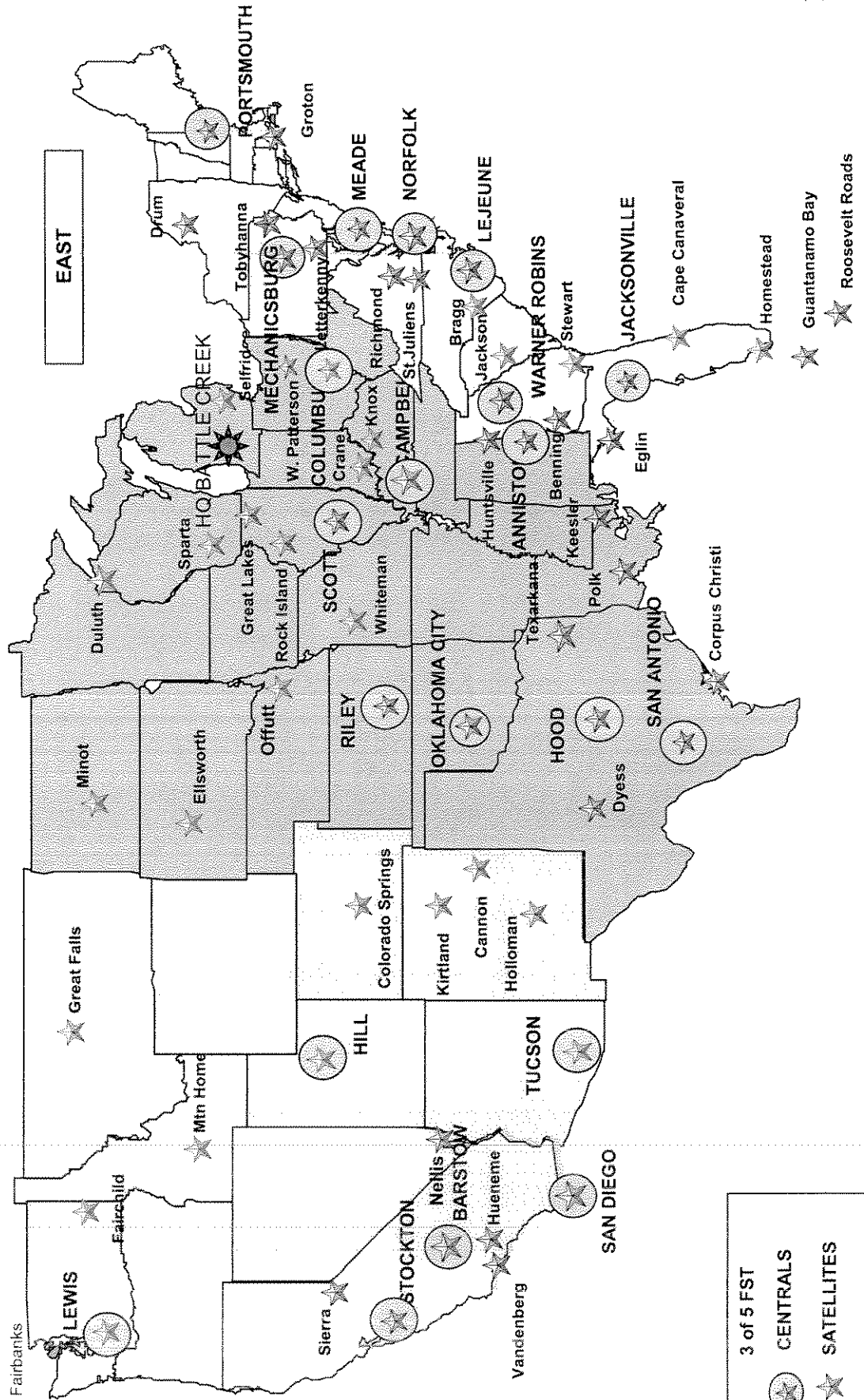
DEFENSE REUTILIZATION & MARKETING SERV.

Anchorage

WEST

CENTRAL

EAST



3 of 5 FST

CENTRALS

SATELLITES

ATTACHMENT 4

Special Excess Material Disposal Programs

- *Humanitarian Assistance Program (HAP)*: DRMS provides DOD excess property, as coordinated through State Department, consisting of items of a humanitarian assistance nature, and distributed to needy third world countries.
- *Law Enforcement Support Office (LESO)*: DRMS issues DOD excess property to support law enforcement agencies in conducting their daily operations. This is a large customer base with approximately 12,000 state and local agencies currently enrolled.
- *DOD or Service Museums*: DRMS issues DOD excess property for museum use, display, or exchange. Currently, DOD or service museums may acquire items for housekeeping purposes only.
- *Academic Institutions and Nonprofit Organizations for Educational Purposes*: These educational entities may acquire donations of excess research equipment to educational institutions and nonprofit organizations for conducting technical and scientific education and research activities.
- *National Guard Units*: Requests for excess property for National Guard units must have the approval of the National Guard Bureau or their authorized representative.
- *Senior Reserve Officer Training Corps (ROTC) Units*: Senior ROTC units of the military services may obtain excess property from DRMO's to support supplemental proficiency training programs.
- *Morale, Welfare, Recreation Activities (MWRA) Services*: May requisition excess property through their servicing Accountable Officer. Items requisitioned from DRMO are for administrative and other purposes from which no direct benefits will be realized by individuals.
- *Military Affiliate Radio System (MARS)*: MARS operates under the command jurisdiction of the Military Services and is associated with the DOD communication system. The Military Services responsible

for MARS are authorized to requisition excess property through their respective accountable officers.

- *Civil Air Patrol (CAP)*: CAP is the official auxiliary of the USAF and is eligible to receive excess property without reimbursement. Title to the property is transferred to CAP under the condition that the property will be used by CAP to support valid mission requirements. The CAP must return unneeded property to the DRMO.
 - *DOD Contractors*: The Military Service/Defense Agency Management Control Activity (MCA) is authorized to withdraw specific excess property from DRMO's for use as Government Furnished Equipment (GFE) to support officially stated contractual requirements.
 - *Foreign Military Sales (FMS/Grant Aid)*: DRMS conducts the sale of excess defense articles to foreign governments. Property is issued free and the country pays for packing, crating and handling. DRMS is reimbursed for administration costs only.
-

ATTACHMENT 5

About Government Liquidation, LLC and Liquidity Services, Inc.

Government Liquidation, LLC (GL), a subsidiary of Liquidity Services, Inc. is the exclusive contractor of the Defense Reutilization and Marketing Service (DRMS) for the sale of surplus and scrap assets of the United States Department of Defense (DOD).

GL operates an innovative and powerful online sales channel that enables surplus buyers to purchase available government assets in a convenient and open environment. GL utilizes world- class logistics, technology, marketing and customer service capabilities to assemble and promotes available property for the convenience of its buyers. With over 500 different commodity categories and thousands of surplus items added weekly to our inventory, GL offers surplus Buyers a unique and dynamic pool of property for purchase and resale. GL's dedicated team of professionals manage over 1 million square feet of warehouse space and maintain outposts on over 150 military bases throughout the continental U.S., Alaska, Hawaii, Puerto Rico and Guam.

GL is part of a critical mission to keep surplus and idle inventories moving out of defense facilities, maximizing efficiencies, while creating a valuable cash flow source to the U.S. Treasury. Government Liquidation LLC. is the leading global seller of assets in over 500 different U.S. Government commodity categories, including:

- Aircraft Parts
- Electrical & Electronic Test Equipment
- Industrial Machinery & Equipment
- Medical, Dental & Laboratory Equipment
- Military Apparel & Accessories
- Passenger & Military Vehicles
- Boats & Marine Support Equipment
- Building & Construction Materials



Corporate Overview

Headquartered in Washington D.C., Liquidity Services, Inc. is a leading global provider of full service solutions to sell surplus assets. Liquidity Services, Inc. has combined its in-depth market knowledge, superior technology and operational expertise to provide major manufacturers, distributors, retailers, service companies, and public sector agencies with a complete solution to convert surplus assets into cash quickly and conveniently.

Liquidity Services, Inc. utilizes online marketplaces, business-to-business product sales and marketing expertise, and value-added services to complete 14,000 sale transactions monthly. Our network of buyers and sellers source and sell bulk inventory in a wide range of categories, including consumer merchandise, transportation, electronics and audio/video equipment, computers, industrial equipment, construction materials, office supplies, medical equipment and aircraft parts.

ATTACHMENT 6

The Demilitarization Program

The command's mission is to provide worldwide management and disposition of the vast and growing array of material no longer needed by the military services. Types of material handled by DRMS run the gamut from baby bottles to battleships.

DRMS disposes of excess property received from the military services. Some of this property was built strictly for military purposes and was never meant to be a part of the everyday life of our communities. This type of property must be rendered useless for its intended purpose prior to sale or removal from government property. Demilitarization is the process used to do so. Recently revised "demil" procedures not only ensure compliance with regulations, but also encourage DRMS employees to challenge obsolete or ineffective requirements.

The demilitarization program is a major part of the DRMS mission. It prevents offensive and defensive military equipment from being released to the public. It also prevents battlefield-related property from being unnecessarily rendered useless. For instance, tanks and rocket launchers are candidates for sale as scrap after demilitarization; tents and combat boots can be reused or sold to the public.

Demilitarization codes and the supply chain

As property is acquired by the Department of Defense (DoD), one of the military services or a defense agency assigns a demilitarization code to the material, based on specific DoD-wide policy. Most items that enter the supply system receive a "no demilitarization required" code, such office furniture, tools or appliances. On the other hand, items such as arms or munitions must be rendered useless prior to sale, and receive codes that require things like burning, shredding or pulping. The demilitarization codes have recently been modified to enhance the effectiveness of the program.

DRMS is the final link in the DoD supply chain. Excess DoD property is turned in for disposal at 98 DRMS field offices worldwide, called Defense Reutilization and Marketing Offices (DRMOs). The property is stored separately from other material. Our employees review the demilitarization codes for accuracy. An audit trail is established for the property, including verification that demilitarization is accomplished. Inappropriate management of this property has the potential of compromising national security or U.S. foreign policy; unnecessary demilitarization can prevent the reuse or sale of valuable property.

The DRMS "Demil Challenge Program"

Whenever a DoD activity turns in an excess item at one of our DRMOs, our technical specialists verify the accuracy of the demilitarization code. If the code is thought to be inaccurate, it is "challenged." A written report concerning the potential coding error is forwarded to DRMS headquarters. Extensive research is conducted. If the code is found to be in error, the code will be changed for all like items entering the supply system.

The challenge program is a quality control measure that continually enhances the demilitarization effort. Our employee's concerns are taken seriously, researched and acted on if necessary.

Reutilization, transfer and donation

Many items that once were purchased to support combat readiness can be reused. Property is first offered for reutilization within the DoD, transfer to other federal agencies, or donation to state or local governments and other qualified organizations. For instance, through the General Services Administration's donation program, DRMS has been able to offer local and state police department's equipment that can be used for law enforcement. In many cases, partially demilitarized property can be reused without endangering the public. Property is also provided for the State Department's Foreign Military Sales Program.

Updated: April 2001

ATTACHMENT 7

What is a DEMIL Code?

A **DEMIL Code** is a code assigned to an item by the Item Manager that identifies the required demilitarization.

DEMIL Code Description

A - Non-MLI/Non-SLI -- Demilitarization not required

B - MLI (Non-Significant Military Equipment - Non-SME) -- Demilitarization not required. Trade Security Controls (TSCs) required at disposition.

C - MLI(SME). Remove and/or demilitarize installed key point(s) as prescribed in DOD 4160.21-M-1. Defense Demilitarization Manual, or lethal parts, components and accessories.

D - MLI(SME). Total destruction of item and components so as to preclude restoration or repair to a usable condition by melting, cutting, tearing, scratching, crushing, breaking, punching, neutralizing, etc. (As an alternate, burial or deep water dumping may be used when coordinated with the DOD Demilitarization Program Office.)

E - MLI(NON-SME). Additional critical items/material determined to require demilitarization, either key point or total destruction. Demilitarization instructions to be furnished by the DOD Demilitarization Program Office.

F - MLI (SME) -- Demilitarization instructions to be furnished by the Item/Technical Manager.

G - MLI(SMIE). Demilitarization required AEDA. Demilitarization, and if required, declassification and/or removal of sensitive markings or information will be accomplished prior to physical transfer to a DRMO. This code will be used for all AEDA items, including those which also require declassification and/or removal of sensitive markings or information.

P - MLI(SME). Security Classified Item Declassification and any additional demilitarization and removal of any sensitive markings or information will be accomplished prior to accountability or physical transfer to a DRMO. This code will not be assigned to AEDA items.

Q - CCLI. Commerce Control List Item Demilitarization not required. CCLI are dual-use (military, commercial, and other strategic uses) items under the jurisdiction of the Bureau of Export Administration, U.S. Department of Commerce, through the Export Administration Regulations. The types of items under the Commerce Control List (CCL) are commodities (i.e., equipment, materials, electronics, propulsion systems, etc.), software, and technology. The CCL does not include those items exclusively controlled by another department or agency of the U.S. Government.

A copy of the *Defense Demilitarization Manual, DOD 4160.21-M-1* may be requested from the Defense Logistics Information Service, ATTN: DLIS/FOI, 74 Washington North, and Battle Creek, MI 49017 Creek. You may also call Customer Service toll free at: 1-888-352-9333, or email: dlis-support@dlis.dla.mil with your request.

ATTACHMENT 8

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
EMERGING THREATS, AND INTERNATIONAL
RELATIONS

OF THE
COMMITTEE ON
GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

JUNE 7, 2005

Serial No. 109-51

Printed for the use of the Committee on Government Reform



Available via the World Wide Web: <http://www.gpoaccess.gov/congress/index.html>
<http://www.house.gov/reform>

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 2005

22-905 PDF

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

So going back to what Mr. Estevez said, going back to what Colonel O'Donnell said, training and adherence to making sure that the proper condition code is marked on these items is very important.

Mr. CHASE. When did you implement the want list program?

Colonel O'DONNELL. Sir, the want lists have been in effect for over a year now. And it's a tool; again, a way of trying to enhance our overall reutilization program by giving our customers, across the spectrum of military organizations, the ability to tell DRMS the kinds of property they need and the types of quantities that they're looking for. They can come on our Web site, give us that product, which then is screened against our inventories for a prescribed period of time, hopefully with the expectation of fulfilling the requirements.

Mr. CHASE. OK. GAO raised the question of restricted items that they were able to obtain. Why isn't DLA able to restrict unnecessary purchases?

Colonel O'DONNELL. Let me go ahead and answer that one, sir. NonDOD entities within the Federal Government can, in fact, acquire restricted property through a reutilization, or the RT program, reutilization and transformation and donation program, depending on where they fit in terms of eligibility.

The decision to release property which has some sort of restrictive characteristic rests with GSA, who has proponentcy for property utilization throughout the Federal Government, which would account for why GAO could use their DODAC to come in and requisition that property.

Mr. SHAYS. Could you just explain it? GSA, outside of DOD, doesn't have ownership of this; they have to give approval to another government agency to buy something from you?

Colonel O'DONNELL. They have to give, sir, approval for a nonDOD organization to withdraw property from DRMS that has a restrictive characteristic. Having said that, they are also obliged to tell that organization that they have to sign a statement that says you recognize that this item, for example, has a DRMO requirement and that you will abide by the tenets of that DRMO requirement when you, in turn, get ready to dispose of that property.

But GSA is the proponent, if you will, for property reutilization throughout the Federal Government, and they are delegated that responsibility for DOD down to the Defense Logistics Agency.

Mr. SHAYS. Is it your testimony that GAO would not have been able to buy that restricted property—excuse me, correction. I will say it just this way: Is it your statement that the only way GAO was to buy this restrictive property is because they were GAO, and that they would not have been able to buy it if they had tried to buy it privately?

Colonel O'DONNELL. That's correct, sir. Those items up on the podium that were requisitioned through DRMS, using a DODAC that had been assigned a Department of Defense activity address code that had been assigned to GAO, enabling them to acquire property from us.

Mr. CHASE. Colonel, could we move on to the point that the GAO made regarding the storage of material that was destroyed or weather damaged? They specifically said in their report, property was improperly stored outside for several months at the Huntsville

liquidation sales location and I guess was damaged due to the hurricane. Have you gotten a handle on how you could prevent that in the future?

Colonel O'DONNELL. Sir, the situation that was described in the GAO report with respect to our facility down in Huntsville has, in fact, been corrected. It was a—the result, rather, of a series of events that sort of cascaded upon themselves.

First and foremost was that the team that we had down at our sales partners office at Huntsville was unable to keep up with the volume of property that was coming to them in terms of their ability to sell it and to turn it over at a sufficiently rapid rate that would ensure that all the property they were receiving could, in fact, be stored inside. They made some decisions that particular management team at that particular site needed to be replaced, and they have, in fact, done that. We, DRMS, have put some additional manpower down at Huntsville to help monitor what is going on, not only within our sales partners operations, but how that all relates back to the flow of property from DLA depots.

As to the fact that we had property stored outside which ultimately was weather damaged, again, that was a function of there being more property in the pipeline than our sales partner could deal with based on the skills, I guess, and the ability of the team that they had on board at the time. Again, we've rectified that. We've worked with our sales partner, they have made some significant improvements in terms of the caliber of folks that they had down there. And the problem that existed at the time of the audit no longer exists.

Mr. CHASE. So I understand that was a private contractor that was responsible for that location?

Colonel O'DONNELL. For the sales operation co-located at our DRMO at Huntsville, AL, yes, sir, that is correct.

Mr. CHASE. Were we—or have we considered trying to recover some of the acquisition value for that material from the contractor? I mean was it—you know, was it something that he could have prevented that maybe we should try to recover?

Colonel O'DONNELL. In this instance, no, sir, I don't think that's the case at all. I mean, the fact is there was more property coming his way than he had the capability at the time to deal with. But by the same token, we had a responsibility to say there is more property in the pipeline, let's divert that to another location. Which ultimately we wound up doing to help solve that particular situation.

Mr. CHASE. Another point raised in the report was the issue of missing items, 72 chemical and biology protective suits, protective gloves, weather parka. Given the losses that GAO identified, what is DLA's criminal investigative agency doing to access the DRMO's security and vulnerability?

Colonel O'DONNELL. Sir, the DLA Criminal Investigative Agency routinely conducts criminal vulnerability assessments of our DRMOs. And I can't speak in this particular instance, but those inspections take place on a routine basis; they put a team of investigators down there, and they look at our operation from the standpoint of what process improvements do we need to make, what do we need to do in terms of improving physical security, the way we